

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: **September 23, 2015**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = Program Name

B = Program Name

C = Program Name

D = Agreement Name

E = Name

F = County Names

G = State

H = Geographic area

k = Number

m = Year

n = Number

p = Year

q = Number

r dollars = Amount

s = Number

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X. You were formed to promote healthy well-being, education, and pre-career development of urban at-risk youth or those needing a special boost. X advances your charitable and educational purposes by promoting post-secondary education for urban youth-at-risk. X will be open to prospective graduates of any high school in k counties in the H area, provided they meet the additional eligibility requirements. Scholarships will only be awarded to those low-income youths who have satisfied the requirements of B and who have demonstrated the skills, drive and commitment necessary to enroll at an accredited four year college or university. B is a program you operate to fulfill your mission. B provides resources to urban low-income youth to attend college and to position them to succeed in college and beyond. Through B, you partner with students to provide financial aid advice, student coaching and creation of an "Annual Plan" for the student's postsecondary education journey. Based on the "Annual Plan", students are mentored in college course selection, room and board selection, nutritional counseling, work alternatives, internships, financial aid and social emotional triage.

You publicize X through a combination of communications to the general public and more targeted outreach. For general public outreach, the website, E, contains a link to your flyer, which contains basic information about X including your contact information. The flyer is also linked to the E Facebook and LinkedIn sites. In addition, your flyers are provided to students and families currently associated with your other programs. Moreover, you conduct targeted outreach to publicize X, with a particular emphasis on F counties (which are expected to have the largest pool of eligible applicants). Finally, you compile distribution lists for the targeted outreach efforts as well as conduct research to identify and target organizations and schools considered likely to serve a significant number of eligible students.

Commencing with funding for the fall of year M, you will make n grants under X. Each year thereafter, the number of annual grants will increase by n as each new class is added. Upon reaching full capacity by the fall of year p, you plan to be making approximately q grants per year.

In any given year, the number of actual grants may prove slightly higher (depending on the number of students who remain in the program for five years), or slightly lower (depending on the number of students who subsequently become ineligible or who receive adequate aid from other sources that they do not require X to support). The amount of each scholarship will depend upon the recipient's "costs of attendance" that are not otherwise covered by direct aid from the relevant school or other available funding sources, and also will be subject to annual and lifetime limits per student. "Costs of attendance" include only those costs that are directly related to attending an accredited four year college or university, including student fees (tuition and on-campus

room and board), off-campus housing, books and other supplies (such as laptops, readers, calculators and lab equipment) and travel expenses directly related to attendance at the relevant school. This tentative scholarship amount is further subject to overall limits based on your available resources and an annual per-student limitation based on need (currently r dollars, but subject to potential increase in future years to reflect cost of living or other adjustments). Students will be eligible to participate in X for up to s years.

Eligible students must:

- Have successfully completed the various requirements for graduation from a high school in one of the k counties in H.
- Have been accepted to and enroll at an accredited four year college or university, as approved by B.
- Demonstrate to your satisfaction that their "Expected Family Contribution" (taken from the Free Application for Federal Student Aid [FAFSA]) toward the funding of their college education, as determined for purposes of the federal financial aid applications, does not exceed r dollars per year.

Eligibility for X is additionally conditioned upon the student's ongoing agreement to apply for federal financial aid, financial aid from the relevant school, and scholarships from at least two organizations outside of the school attended. Students are required to submit evidence of these applications and awards prior to the disbursement of funds; thus, your scholarships are intended to supplement the substantial financial aid almost all grantees receive from the schools they attend, and from other sources.

All interested individuals must submit Part 1 of the application and those applicants who advance to the second phase of the process, based on the assessment of the selection committee, must then submit Part 2 of the application.

Your selection committee will at a minimum, consist of the individuals serving in the roles of your Managing Director, the Director of B, your Associate Program Director, the B Lead College Financial Services Coordinator, and the B Lead College Coach. Membership on the selection committee will depend upon continued service in one of these broader roles. In addition, you may choose to add a sixth selection committee member who would be independent from you. This committee member would be selected based upon the particular expertise/background he or she could bring to the process of identifying those students whose track record and other attributes indicate that they are likely to succeed in a four year college environment.

Each year you expect to accept n students into the "X" class for that year. If you have more than n eligible applicants for the available openings in that year's class, all applicants will be scored according to a rubric that ranks standardized test scores, responses to essay questions, grade point averages, and college acceptances

The top n students will thus be selected and a wait list will be compiled. If any of the top n recipients do not accept their invitation to be part of X, the next students will be selected from the wait list.

Your related party policy prohibits scholarship awards to "family members" of members of your selection committee, officers, directors and substantial contributors, among other persons. The term "family members" is defined for this purpose to include an individual's spouse, ancestors, children, grandchildren, great grandchildren, and the spouses of children, grandchildren, and great grandchildren.

Applicants who are accepted into X also must complete and execute a written agreement with you known as D. D requires recipients in addition to maintaining a minimum grade point average of 2.0, and maintaining a full course load to agree to:

- Attend C which is a college orientation prior to starting college;
- Work and meet regularly with a "College Coach" provided by B , as well as attend other workshops conducted by B.

Scholarship recipients will be placed on probation for one term when GPAs are lower than 2.0 , earning units less than full-time in an academic term and not communicating with the B college coach. Recipients who remain on probation for two consecutive terms will be placed on a Probationary Contract; recipients who are on probation for three cumulative terms will also be placed on a Probationary Contract; recipients who do not fulfill the terms of their Probationary Contract may be placed on a Dismissal Contract and/ or may have funding reduced or terminated; and, recipients who choose not to return to school after two consecutive semesters without taking classes will be considered to have voluntarily terminated their participation in X.

The following conditions apply in order for a scholarship to be 'renewed" for a subsequent academic term:

1. The student must satisfy the standards for enrollment at the relevant academic institution for the academic term for which renewal is sought.
2. The student must be in compliance with the terms of D including compliance with the following requirements: (i) the student must submit his or her financial aid award letters, a copy of his or her "Student Aid Report" (which is proof of application for federal financial aid), proof of submission of at least two other scholarship applications, an approved budget, and a written "Annual Plan," (ii) the student must have achieved a grade point average of 2.0 or higher, (iii) the student must enroll in and complete full-term units each term, and (iv) the student must work with a B assigned college coach.

You will generally pay the grants directly to an educational institution, which complies with Internal Revenue Code section 170(b)(1)(A)(ii), for application directly to the student's tuition, student fees and on-campus room and board, if the student satisfies the educational institution's standards for current enrollment. Further policies include:

- Payments for off-campus housing will be made directly to the property management office or landlord.
- You will establish a book account to which the students will be able to charge their books. When the book account is not available or does not supply a student's books, students may obtain approval to purchase their books and then submit the appropriate receipts to you for approval and reimbursement.
- Qualifying school supplies are reimbursable only when they are pre-approved.
- School-related travel expenses will only be paid in accordance with a budget submitted annually and based on the most economical options available. Receipts are required for any such expenses that you advance or reimburse.

In the event that funds are misused, the steps you take to seek recovery of misused funds will depend upon the payee of those funds, the amount involved and other relevant circumstances. In all cases, you will contact the payee in writing at the payee's most recent email or mailing address and demand prompt return of the misused funds.

If the payee of the misused funds is a student, who remained part of X on a probationary basis, the student's B college coach and Director would meet with the student to discuss a payment plan for restoration of the misused funds. Given the typical age, financial profile of the students, and the modest amounts of any advances you might make to students, you do not expect to pursue legal action against a student payee who misused funds, as it is not likely that legal action would result in execution of a judgment.

If the payee of the misused funds is a third party vendor, including an educational organization, landlord, or other vendor, in addition to sending one or more written requests for return of the misused funds, you may pursue legal recourse if the significance of the amount warranted it, and you believe there is a reasonable probability that legal action would result in execution of a judgment.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements